

IN THE BOARD OF SUPERVISORS
COUNTY OF SAN LUIS OBISPO, STATE OF CALIFORNIA

_____ day _____, 20

PRESENT: Supervisors

ABSENT:

RESOLUTION NO.

RESOLUTION APPROVING AN AFFORDABLE HOUSING DEBT FORGIVENESS POLICY
FOR INDIVIDUAL OWNER-OCCUPIED HOMES

The following resolution is hereby offered and read:

WHEREAS, the County of San Luis Obispo sees a need to promote and protect decent and suitable housing and community development opportunities for the residents of this county; and

WHEREAS, the County of San Luis Obispo, a political subdivision of the State of California, has facilitated provision of approximately 155 affordable single family dwellings through various State and Federal grants and through the use of its police power; and

WHEREAS, the County of San Luis Obispo is beneficiary under second deeds of trust recorded against each of said 155 affordable single family dwellings; and

WHEREAS, the market value of said affordable single family dwellings declined during the recessionary economic conditions in recent years, some of which have declined by such a degree that the cumulative total of encumbrances secured by the first and second deeds of trust now exceed the market value of the properties; and

WHEREAS, by accepting less than is owed to the County under certain circumstances, the County of San Luis Obispo could enable the affected home owners to avoid foreclosure by selling their homes or reducing the amount owed to the first mortgage lender, which would enable the County receive a greater amount of the debt repayment than would occur through foreclosure.

NOW, THEREFORE BE IT RESOLVED AND ORDERED by the Board of Supervisors of the County of San Luis Obispo, State of California, as follows:

Attachment 1

1. That the recitals set forth herein above are true, correct and valid.
2. The County of San Luis Obispo approves the Affordable Housing Debt Forgiveness Policy for Individual Owner-Occupied Homes which is attached as Exhibit A and incorporated herein as if set forth in full.
3. The County of San Luis Obispo authorizes the Director of the Department of Planning and Building to approve requests for debt forgiveness which meet the criteria in the attached policy and to execute all other related agreements or documents necessary to implement approved requests.

Upon motion of Supervisor _____, seconded by Supervisor _____, and on the following roll call vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAINING:

the foregoing resolution is hereby adopted.

Chairman of the Board of Supervisors
of the County of San Luis Obispo,
State of California

ATTEST

County Clerk and Ex-Officio Clerk
of the Board of Supervisors,
County of San Luis Obispo,
State of California

[SEAL]

Attachment 1

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: 
Deputy County Counsel

Dated: November 25, 2013

Attachment 1

Exhibit A:

Affordable Housing Debt Forgiveness Policy for Individual Owner-Occupied Homes

When an affordable housing unit is encumbered by a deed of trust securing a loan with the County as beneficiary, the County may approve a request for debt relief if (1) hardship factors make sale of the property necessary but the value is not sufficient to pay off the first mortgage, closing costs and the full amount of the County's loan, or (2) the first mortgage lender is refinancing its loan to reduce the amount of principal owed (also known as "restructuring" the mortgage). The County will not approve a request for debt relief to enable refinancing ("restructuring") the first mortgage without a significant reduction in the amount of principal owed.

If a request for debt relief is consistent with the following requirements, then the Director of the Planning and Building Department is authorized to approve it, including execution of new loan documents and other related escrow documents.

The following events shall occur:

1. The current market price of the housing unit has fallen below the original market price of the same unit when the current owner purchased the unit. This shall be supported by a current real estate appraisal by a licensed real estate appraiser, or by other evidence acceptable to the County (such as a "broker's price opinion").
2. The current owner shall notify the County of his or her intent to sell the property or restructure the first mortgage and shall describe the factors which have made the property sale or mortgage restructuring necessary. Acceptable factors include:
 - a. Loss of income due to loss of employment (or loss of an employed household member);
 - b. Unanticipated medical expenses;
 - c. Insufficient assets available (other than retirement accounts) for monthly payments to the first mortgage lender or to reduce the amount of principal owed through a conventional mortgage refinance; or
 - d. Other unanticipated financial hardship which will cause the owner to default on the first mortgage loan.
3. The current owner shall (a) offer the housing unit for sale on the local real estate market to any buyer or (b) apply to restructure the first mortgage.
 - a. Along with the short sale request, the current owner shall also submit a bona fide purchase offer on his or her housing unit from a willing buyer. The offer may include contingency(s) from the willing buyer as to the offered sales price and a requirement that one or both lender(s) agree to accept less than full payment for the deed(s) of trust.
 - b. If the owner is seeking to restructure the first mortgage loan, the owner must provide a copy of the request submitted to the first lender and a letter from the first mortgage lender indicating its willingness to reduce the amount owed through restructuring and a current title report.
4. The current owner shall not be in violation of any terms or conditions of the promissory note, second deed of trust, or the Affordable Housing Agreement, except consideration may be given if the owner has been forced to rent the property to another household for a short period of time due to the factors listed in item 2 a, 2b, or 2c